

# CORPORATE GOVERNANCE REPORT

The board is of the opinion that the group has complied throughout the accounting period with all the objectives incorporated in the Code of Governance Principles for South Africa 2009, as set out in King III (“the King Code”) and the JSE Limited Listings Requirements except as set out below. A summary of the extent of the company’s compliance with the King Code is set out below:-

Key – Level of compliance:

1 – Not applied / will not be applied

2 – In process / partially applied

3 – Full application

	PRINCIPLE	LEVEL OF COMPLIANCE	COMMENTS
<b>1.</b>	<b>ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP</b>		
1.1	The board should provide effective leadership based on an ethical foundation	3	Applied: Ethics form part of the values of the company and its board. The board provides effective leadership based on an ethical foundation.
1.2	The board should ensure that the company is, and is seen to be, a responsible corporate citizen	3	Applied: Projects applicable to corporate social (re)investment are considered and assessed on a continual basis while the board ensures that the company is, and is perceived to be, a responsible corporate citizen.
1.3	The board should ensure that the company’s ethics are managed effectively	3	Applied: Ethical principles are applied, as a matter of course, during all decision-making processes.
<b>2.</b>	<b>BOARD AND DIRECTORS</b>		
2.1	The board should act as the focal point for and custodian of corporate governance	3	Applied: The board as a whole is responsible for effective corporate governance.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	3	Applied: Strategy, risk, performance and sustainability are collectively considered by the board in all decision-making processes.
2.3	The board should provide effective leadership based on an ethical foundation	3	Applied: Ethics form part of the values of the company and the board.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	3	Applied: The board ensures that the company is a responsible corporate citizen in line with the image the company would like to project.
2.5	The board should ensure that the company’s ethics are managed effectively	3	Applied: Ethics are the responsibility of the board as a whole.
2.6	The board should ensure that the company has an effective and independent audit committee	3	Applied: The audit and risk committee consists of three independent non-executive directors.
2.7	The board should be responsible for the governance of risk	3	Applied: The board as a whole is responsible for risk governance.

2.8	The board should be responsible for information technology (IT) governance	3	Applied: The board as a whole is responsible for IT governance in the company.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	3	Applied: Compliance with all applicable laws and adherence to non-binding rules, codes and standards form part of the values of the company.
2.10	The board should ensure that there is an effective risk-based internal audit	3	Applied: An internal audit function exists.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	3	Applied: The board continually monitors stakeholders' perceptions in light of its importance to the company's reputation.
2.12	The board should ensure the integrity of the company's integrated report	3	Applied: Due care is applied during the generation and completion of the annual report to ensure its integrity.
2.13	The board should report on the effectiveness of the company's system of internal controls	3	Applied: The board reports on the effectiveness of the company's system of internal controls.
2.14	The board and its directors should act in the best interests of the company	3	Applied: The board acts in the best interests of the company.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	3	Applied: This will be considered, if applicable.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	3	The chairman of the board is not an independent non-executive director because of his shareholding in the company. Mr PA Day was appointed as lead independent non-executive.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	3	Applied: The board has appointed a CEO and a framework applicable to the delegation of power has been established.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	3	Applied: The majority of the board is non-executive and the majority of non-executive directors are independent.
2.19	Directors should be appointed through a formal process	3	Applied: New directors are appointed through a formal process.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	1	The nature of the business does not warrant a formal induction process. New directors will have unlimited access to the company's resources in order to familiarize themselves with all matters related to the company.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	3	Applied: The company is assisted by a suitably qualified and experienced secretary.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	3	Applied: The board, its committees and its individual directors are evaluated on an annual basis.

2.23	The board should delegate certain functions to well-structured committees without abdicating its own responsibilities	3	Applied: Committees make recommendations, which are considered (and if deemed appropriate) approved at board level.
2.24	A governance framework should be agreed between the group and its subsidiary boards	3	Applied: Given that the directors who serve on the boards of the subsidiaries are also directors of the company, the board is of the view that it is not necessary to formulate a governance framework between Argent and its subsidiaries. The situation will be continuously monitored.
2.25	Companies should remunerate directors and executives fairly and responsibly	3	Applied: Non-executive directors are remunerated by the company. Executive directors are remunerated via the subsidiaries.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	3	Applied: The remuneration of each individual director is disclosed in the annual report.
2.27	Shareholders should approve the company's remuneration policy	1	The remuneration committee reviews salary trends in the market place and recommends emolument structures and levels to the chairman for his consideration and approval. No one type of structure suites every company due to the different nature of each operation.
<b>3.</b>	<b>AUDIT COMMITTEES</b>		
3.1	The board should ensure that the company has an effective and independent audit committee	3	Applied: The audit and risk committee consists of 3 independent directors.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors (subsidiary exemption)	3	Applied: Audit and risk committee members are suitably skilled and experienced.
3.3	The audit committee should be chaired by an independent non-executive director	3	Applied: The audit and risk committee is chaired by an independent non-executive director.
3.4	The audit committee should oversee the integrated reporting (integrated reporting, financial, sustainability and summarised information) The audit committee should be responsible for evaluating the significant judgements and reporting decisions affecting the integrated report. The audit committee's review of the financial reports should encompass the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information, trading statements, circulars and similar documents	3	Applied: These functions are performed by the audit and risk committee.

3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	3	Applied: The audit and risk committee ensures that a combined assurance model is applied.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	3	Applied: The audit and risk committee has satisfied itself in this regard.
3.7	The audit committee should be responsible for overseeing of internal audit	3	Applied, where applicable
3.8	The audit committee should be an integral component of the risk management process	3	Applied: This forms part of the audit and risk committee's role and function.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	3	Applied: This forms part of the audit and risk committee's roles and responsibilities.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	3	Applied: Reported on at board level by the chairman of the audit and risk committee and to shareholders via the annual report.
<b>4.</b>	<b>THE GOVERNANCE OF RISK</b>		
4.1	The board should be responsible for the governance of risk	3	Applied: Governed by the board as a whole.
4.2	The board should determine the levels of risk tolerance	3	Applied: Risk tolerance levels are discussed and considered by the board.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	3	Applied: Performed by the audit and risk committee.
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	3	Applied: The board has delegated to the executive committee the responsibility of designing, implementing and monitoring the risk management plan.
4.5	The board should ensure that risk assessments are performed on a continual basis	3	Applied: The board performs risk assessment on a continual basis.
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	3	Applied: All risk factors within the current business model are continually monitored.
4.7	The board should ensure that management considers and implements appropriate risk responses	3	Applied: Responses are continually monitored.
4.8	The board should ensure continual risk monitoring by management	3	Applied: Risk-monitoring forms part of all planning and decision making.
4.9	The board should receive assurance regarding the effectiveness of the risk management process	3	Applied: This assurance occurs at board level.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	3	Applied: Disclosed in the annual report. Further disclosures are assessed when needed.

<b>5.</b>	<b>THE GOVERNANCE OF INFORMATION TECHNOLOGY</b>		
5.1	The board should be responsible for information technology (IT) governance	3	Applied: The board is responsible for IT governance.
5.2	IT should be aligned with the performance and sustainability objectives of the company	3	Applied: IT is aligned with the performance and sustainability objectives of the company.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	3	Applied: Management is responsible for the implementation of an IT governance framework.
5.4	The board should monitor and evaluate significant IT investments and expenditure	3	Applied: The board monitors and evaluates significant IT investments and expenditure.
5.5	IT should form an integral part of the company's risk management	3	Applied: IT is considered part of risk management.
5.6	The board should ensure that information assets are managed effectively	3	Applied: The board is comfortable with the current practice.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	3	Applied: The audit and risk committee assists the board in carrying out its IT responsibilities.
<b>6.</b>	<b>COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS</b>		
6.1	The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards	3	Applied: The board continually considers applicable laws, codes, rules and standards and changes applicable thereto.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	3	Applied: The board and each individual director have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its operations.
6.3	Compliance risk should form an integral part of the company's risk management process	3	Applied: Compliance forms part of all risk management processes.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	3	Applied: This is performed by the company management with the assistance of the executive committee.
<b>7.</b>	<b>INTERNAL AUDIT</b>		
7.1	The board should ensure that there is an effective risk-based internal audit	3	Applied: An internal audit function exists.
7.2	Internal audit should follow a risk-based approach to its plan	3	Applied: Internal audit follows a risk-based approach.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	3	Applied: A semi-annual risk assessment monitor is presented to the audit and risk committee for review.
7.4	The audit committee should be responsible for overseeing internal audit	3	Applied: Forms part of the audit and risk committee's roles and responsibilities.
7.5	Internal audit should be strategically positioned to achieve its objectives	3	Applied: Internal audit is an independent appraisal function and the head of internal audit has unrestricted access to the chairman of the audit and risk committee.

<b>8.</b>	<b>GOVERNING STAKEHOLDER RELATIONSHIPS</b>		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	3	Applied: The board continually monitors stakeholder' perceptions as the company's reputation is considered important to its sustainable success.
8.2	The board should delegate to management to proactively deal with stakeholder relationships	3	Applied: Stakeholder relationships are critical to the success of the company and are maintained by the company's executive committee.
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	3	Applied: All stakeholders are considered in the company's decision-making processes.
8.4	Companies should ensure the equitable treatment of shareholders	3	Applied: Equal treatment of stakeholders is considered vital to the board, which ensures the integrity, completeness, accuracy and usability of the company's annual report.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	3	Applied: Communication with stakeholders is the responsibility of the executive committee and the company secretary.
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	3	Applied: The board is informed of any disputes to ensure speedy and effective resolution.
<b>9.</b>	<b>INTEGRATED REPORTING AND DISCLOSURE</b>		
9.1	The board should ensure the integrity of the company's integrated report	3	Applied: The board ensures the integrity, completeness and usability of the company's annual report.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	3	Applied: Sustainability reporting and disclosure are incorporated in the company's annual report.
9.3	Sustainability reporting and disclosure should be independently assured	3	Applied: Where appropriate, non-financial information disclosed in the company's annual report has been independently assured.